

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 DOTE-00 EB-07 L-02 OMB-01 TRSE-00 AID-05

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----- 069626

R 071437Z MAR 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 4713

INFO USDOC WASHDC

AMCONSUL GUAYAQUIL

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STATE PLEASE PASS FHWA AND EXIMBANK

E.O. 11652: N/A

TAGS: BEXP BFOL ETRO EC

SUBJECT: ROAD-BUILDING EQUIPMENT FOR MINISTRY OF PUBLIC WORKS

REF: STATE 042398; QUITO 0937 AND PREVIOUS

1. FOLLOWING IS RESUME OF MEETINGS THUS FAR AND OF DISCUSSIONS HELD BY FHWA OFFICIAL MCKENDRICK AT MINISTRY.

2. MCKENDRICK ARRIVED ON SCHEDULE MAR 4. ON AFTERNOON OF MAR 5, AMBASSADOR AND MCKENDRICK, ACCOMPANIED BY DCM, COMATT AND INTERPRETER

, PAID INITIAL CALL ON MINISTER, GENERAL RAUL PUMA. MEETING WAS VERY USEFUL IN CLARIFYING SEVERAL POINTS AND IN SETTING STAGE FOR WORKING-LEVEL DISCUSSION. MINISTER AGAIN EMPHASIZED PRICE AND REASONABLE DELIVERY TIME AS TWO MOST IMPORTANT CONSIDERATIONS. HE WAS PLEASED TO NOTE THAT ESTIMATED DELIVERY PERIODS PRESENTED BY MCKENDRICK WERE LESS THAN HE EXPECTED. PRICE ESTIMATES APPEARED TO BE SATISFACTORY, HOWEVER PUMA ASKED IF 3 PERCENT ACQUISITION FEE CHARGED BY FHWA MIGHT NOT BE REDUCED. FINALLY, PUMA ADVISED AMBASSADOR AND MCKENDRICK THAT, AFTER APPROVAL OF TERMS OF FHWA DRAFT AGREEMENT, HE WOULD PRESENT IT TO PRESIDENT RODRIGUEZ UPON LATTER'S RETURN FROM ALGERIA OPEC CONFERENCE ON MARCH 14.

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3. ON MORNING OF MAR 6, MCKENDRICK, ACCOMPANIED BY COMATT, HELD WORKING-LEVEL MEETING WITH JORGE LANAS, DIRECTOR OF PUBLIC WORKS. MEETING REVEALED THAT MINISTRY STILL HAS RECEIVED NO SUITABLE OFFER OF REQUIRED US\$63 MILLION OUTSIDE FINANCING ON WHICH TO OPEN LETTERS OF CREDIT. (COMMENT: FINANCING OF PURCHASE WILL BE SUBJECT OF SEPTEL TO COMMERCE). OTHER DECISIONS WHICH CAME OUT OF MEETING: A. LANAS FINDS NO OBJECTIONS TO TERMS OF FHWA AGREEMENT AND WILL MAKE FAVORABLE RECOMMENDATION TO MINISTER. LANAS, HOWEVER, PRESSED AGAIN FOR REDUCTION OF 3 PERCENT FEE. B. LANAS WILL PROVIDE TO EMBASSY COPY OF EQUIPMENT SPECIFICATIONS AS DRAWN UP BY MINISTRY. THESE WILL BE TRANSLATED SOONEST AND FORWARDED TO FHWA FOR EXAMINATION. C. COMATT AND LANAS WILL SERVE AS POINT OF CONTACT BETWEEN FHWA AND MINISTER TO ENSURE QUICK DELIVERY OF FUTURE COMMUNICATIONS.

4. MOST PRESSING PROBLEM IS THAT OF LOCATING ADEQUATE FINANCING. HOWEVER, WE ARE OPTIMISTIC THAT MINISTER WILL MAKE FAVORABLE RECOMMENDATION TO PRESIDENT RODRIGUEZ THAT GOE SIGN AGREEMENT. SINCE AMOUNT OF FHWA FEE MAY BE POINT OF FINAL CONTENTION, SUGGEST THAT FHWA CONSIDER POSSIBILITY OF SOME REDUCTION ON CONDITION THAT ENTIRE PURCHASE BE MADE THROUGH FHWA.  
BREWSTER

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